

Message Text

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ACTION XMB-04

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FM AMEFBASSY NAIROBI

TO SECSTATE WASHDC PPRIORITY 6994

INFO AMEMBASSY DAR ES SALAAM

UNCLAS NAIROBI 3707

SECSTATE PASS EXIMBANK NORRIS FROM ABA/MALLOY

E.O. 11652: N/A

TAGS: EAIR, EFIN, Z

SUBJ: EXIMBANK INTEREST IN EAST AFRICAN AIRWAYS

REF (A) DAR ES SALAAM 1080 (B) STATE 62561

1. MET ON MARCH 21 WITH PRINCIPAL SECRETARY, MINISTRY OF COMMUNICATIONS AND TRANSPORT. PRESENT FOR PART OF MEETING WAS DIRECTOR AIR TRANSPORT DIVISION (PARA 1, REFTEL A) AND REP FROM ATTORNEY GENERAL'S OFFICE WHO HAD COPIES OF LOAN AND GUARANTEE AGREEMENTS. PRINCIPAL SECRETARY INDICATED TANGOV WOULD HONOR ITS OBLIGATIONS IF IT DETERMINED THAT THEY WERE DIRECT OBLIGATION OF TANGOV AND NOT EAST AFRICAN COMMUNITY (EAC) AND THAT THERE WERE NO LEGAL IMPEDIMENTS. WE REVIEWED AGREEMENTS AND NOTE TO ESTABLISH THAT OBLIGATION WAS THAT OF TANGOV DIRECTLY. AG'S REP DID NOT COMMIT HERSELF BUT SEEMED TO BE PERSUADED OBLIGATION WAS DIRECT. TANGOV OFFICIALS AGREED PROPER MINISTRY TO DISCUSS CASE FURTHER WAS MINISTRY FINANCE AND PLANNING AND ARRANGED MEETING FOR MARCH 22 WITH THAT MINISTRY.

2. MINFIN OFFICIAL DURING MARCH 22 MEETING INDICATED TANGOV GUARANTEE WAS GOOD BUT SUGGESTED PAYMENT MIGHT BE UNCLASSIFIED

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QUOTE DEFERRED UNQUOTE WHILE AFFAIRS OF EAA AND EAC ARE SORTED OUT BETWEEN PARTNER STATES. OFFICIAL STRESSED INEQUITIES BREAK-UP OF EAC CAUSED FOR TANZANIA. WE EMPHASIZED REQUIREMENT FOR ONE-THIRD GUARANTEE FROM EACH PARTNER STATE WAS IN PART DESIGNED TO ENABLE US TO AVOID SUCH ENTANGLEMENTS OVER WHICH WE HAVE NO CONTROL. WE FURTHER STRESSED POSSIBLE ADVRS IMPACT ON TANGOV'S

CREDIT RATING OF DECISION TO TIE PAYMENT OF ITS UNCONDITIONAL DIRECT GUARANTEE TO ITS VIEW OF JUSTICE OF UNDERLYING DEBT.

3. WE HAVE UNDERTAKEN TO PROVIDE UPON OUR RETURN LETTER TO MINFINANCE WHICH OUTLINES POSITION SETTING FORTH DETAILS OF PAYMENTS DUE AND MAKES REQUEST FOR PAYMENT. OFFICIAL STATED PROBLEM WOULD BE REVIEWED SHORTLY WITH OTHER MINISTRIES INVOLVED.

4. EXIM TEAM COMMENTS: TANGOV APPEARS CONCERNED WITH ITS GENERAL CREDIT STANDING WORLDWIDE AND UNDERSTANDS IT MUST MEET ITS OBLIGATIONS. NEVERTHELESS IT IS VERY SENSITIVE CONCERNING COLLAPSE OF EAA AND EACCAND WILL WANT TO EXAMINE ITS POSITION CAREFULLY BEFORE MAKING DECISION. WE FEEL HOWEVER THAT DIRECT NATURE OF OBLIGATION OF TANGOV ON EAA LOAN WILL ULTIMATELY CONVINCE THEM TO PAY THEIR THIRD. TANGOV OBVIOUSLY JUST BEGINNING TO FOCUS ON PROBLEM. TANGOV, AS WELL AS KENYA OFFICIALS, ALSO EXPRESSED DESIRE EXIMBANK APPROACH UGANDA FOR ITS SHARE.

5. TANGOV OFFICIAL FROM AIR TRANSPORT DIVISION WAS IN AND OUT OF MARCH 21 MEETING DESCRIBED PARA 1 ABOVE. MEETING WAS HELD BEFORE RECEIPT REFTEL B. QUESTION OF 737 FINANCING NOT BROUGHT UP BY TANGOV NOR BY US.

6. IN MARCH 22 MEETING (PARA 2 ABOVE) 737 FINANCING WAS NOT DISCUSSED EITHER. AIR TRANSPORT DIVISION OFFICIAL NOT PRESENT. WE REINFORCED IMPACT OF EAA SETTLEMENT ON ANY UNCLASSIFIED

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NEW FINANCING WHEN MINFIN OFFICIAL NOTED NEED TO SETTLE EAA LIABILITY AS TANGOV COULD NEED FINANCING ASSISTANCE IN FUTURE.

7. TANGOV ATTEMPTING TO OPERATE INTERNAL AIR SERVICE THROUGH EAA-TANZANIA REGION. EAA AIRCRAFT NOT BEING USED IN THIS SERVICE WHICH REPORTEDLY CONSISTS OF ONE FOKKER F-27 AND ONE B-737 WET-LEASED FROM DETA-MOZAMBIQUE. EAA-TR OFFICIAL NOTED SEVERE DIFFICULTIES MAINTAINING SCHEDULE AS MAINTENANCE MUST BE DONE IN MOZAMBIQUE. WE BELIEVE ANY NEW AIRLINE WHICH MAY BE FORMED BY TANGOV WOULD HAVE GREAT DIFFICULTY MEETING CRITERIA IN PARAS 1B AND 1C, REFTEL B. IN ANY EVENT, STATUS OF ANY FUTURE SUCH AIRLINE NOW SO CLOUDY THAT ANY EXIM DECISION AS TO ASSISTANCE WOULD BE VERY PREMATURE.
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Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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